

# HOUSE BILL 5

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(PRE-FILED)

0lr0350  
CF SB 430

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By: **Delegate Braveboy**

Requested: July 13, 2009

Introduced and read first time: January 13, 2010

Assigned to: Economic Matters

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 17, 2010

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Corporations and Associations – Low-Profit Limited Liability Companies**

3 FOR the purpose of authorizing the formation of a certain low-profit limited liability  
4 company as a permitted form of unincorporated business organization;  
5 requiring the name of a low-profit limited liability company to include certain  
6 words or abbreviations; requiring a low-profit limited liability company to meet  
7 certain requirements; providing that if a low-profit limited liability company  
8 that met certain requirements at its formation subsequently ceases to satisfy a  
9 certain requirement, it shall immediately cease to be a low-profit limited  
10 liability company but may continue to exist as a limited liability company under  
11 certain circumstances; requiring that the articles of organization for a limited  
12 liability company set forth whether it is a low-profit limited liability company;  
13 defining a certain term; and generally relating to low-profit limited liability  
14 companies.

15 BY repealing and reenacting, with amendments,

16 Article – Corporations and Associations

17 Section 1-501, 1-502(b) and (f), 4A-101(n) through (r), and 4A-204(a)

18 Annotated Code of Maryland

19 (2007 Replacement Volume and 2009 Supplement)

20 BY adding to

21 Article – Corporations and Associations

22 Section 1-502(f), 4A-101(n), and 4A-201.1

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### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Annotated Code of Maryland  
2 (2007 Replacement Volume and 2009 Supplement)

3 BY repealing and reenacting, without amendments,  
4 Article – Corporations and Associations  
5 Section 4A–101(a) and (l)  
6 Annotated Code of Maryland  
7 (2007 Replacement Volume and 2009 Supplement)

8 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
9 MARYLAND, That the Laws of Maryland read as follows:

10 **Article – Corporations and Associations**

11 1–501.

12 In this subtitle, “entity” includes:

- 13 (1) A corporation;
- 14 (2) A limited liability company;
- 15 (3) A limited liability partnership;
- 16 (4) A limited partnership;
- 17 (5) A limited liability limited partnership;
- 18 **(6) A LOW–PROFIT LIMITED LIABILITY COMPANY;**
- 19 **[(6)] (7)** A professional corporation;
- 20 **[(7)] (8)** A trade name filer; and
- 21 **[(8)] (9)** A business trust.

22 1–502.

23 (b) **[The] EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS SECTION,**  
24 **THE** name of a limited liability company must include:

- 25 (1) The words “limited liability company”;
- 26 (2) “L.L.C.”;
- 27 (3) “LLC”;

1 (4) "L.C."; or

2 (5) "LC".

3 **(F) THE NAME OF A LOW-PROFIT LIMITED LIABILITY COMPANY MUST**  
4 **INCLUDE:**

5 **(1) THE WORDS "LOW-PROFIT LIMITED LIABILITY COMPANY";**

6 **(2) THE ABBREVIATION "L3C"; OR**

7 **(3) THE ABBREVIATION "L3C".**

8 **[f] (G)** (1) The corporate name of a professional corporation must  
9 include:

10 (i) The word "chartered";

11 (ii) The abbreviation "chtd.";

12 (iii) The words "professional association";

13 (iv) The abbreviation "P.A.";

14 (v) The words "professional corporation"; or

15 (vi) The abbreviation "P.C.".

16 (2) A professional corporation need not use any word specified under  
17 paragraph (1) of this subsection if:

18 (i) The corporation has registered the name to be used in the  
19 manner provided in § 1-406 of this title; and

20 (ii) The name is the same as its corporate name except for the  
21 allowable omissions.

22 4A-101.

23 (a) In this title the following terms have the meanings indicated.

24 (l) "Limited liability company" or "domestic limited liability company"  
25 means a permitted form of unincorporated business organization which is organized  
26 and existing under this title.

27 **(N) "LOW-PROFIT LIMITED LIABILITY COMPANY" MEANS A LIMITED**  
28 **LIABILITY COMPANY THAT MEETS:**

1                   **(1) MEETS THE REQUIREMENTS OF § 4A-201.1(B) OF THIS TITLE;**  
2 **AND**

3                   **(2) COMPLIES WITH § 1-502(F) OF THIS ARTICLE AND §**  
4 **4A-204(A)(4) OF THIS TITLE.**

5           **[(n)] (O)**   (1)   “Member” means a person with an interest in a limited  
6 liability company with the rights and obligations specified under this title.

7                   (2)   “Member” includes a person who has been admitted as a member  
8 of a limited liability company organized in the State or a foreign limited liability  
9 company.

10           **[(o)] (P)**   “Operating agreement” means the agreement and any  
11 amendments thereto, of the members as to the affairs of a limited liability company  
12 and the conduct of its business.

13           **[(p)] (Q)**   “Partnership” means a partnership formed under the laws of this  
14 State, any other state, or under the laws of a foreign country.

15           **[(q)] (R)**   (1)   “Professional service” has the meaning stated in § 5-101 of  
16 this article.

17                   (2)   “Professional service” includes a service provided by:

18                           (i)   An architect;

19                           (ii)   An attorney;

20                           (iii)   A certified public accountant;

21                           (iv)   A chiropractor;

22                           (v)   A dentist;

23                           (vi)   An osteopath;

24                           (vii)   A physician;

25                           (viii)   A podiatrist;

26                           (ix)   A professional engineer;

27                           (x)   A psychologist;

1 (xi) A licensed real estate broker, licensed associate real estate  
2 broker, or licensed real estate salesperson; or

3 (xii) A veterinarian.

4 **[(r)] (S)** “State” means a state, territory, or possession of the United States,  
5 the District of Columbia, or the Commonwealth of Puerto Rico.

6 **4A-201.1.**

7 **(A) A LIMITED LIABILITY COMPANY MAY BE FORMED AS A LOW-PROFIT**  
8 **LIMITED LIABILITY COMPANY UNDER THIS TITLE IF IT MEETS THE**  
9 **REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION.**

10 **(B) (1) A LOW-PROFIT LIMITED LIABILITY COMPANY:**

11 **(I) SHALL HAVE AS ITS BUSINESS PURPOSE TO**  
12 **SIGNIFICANTLY FURTHER THE ACCOMPLISHMENT OF ONE OR MORE**  
13 **CHARITABLE OR EDUCATIONAL PURPOSES WITHIN THE MEANING OF §**  
14 **170(C)(2)(B) OF THE INTERNAL REVENUE CODE AND WOULD NOT HAVE BEEN**  
15 **FORMED BUT FOR THE RELATIONSHIP OF THE LOW-PROFIT LIMITED LIABILITY**  
16 **COMPANY TO THE ACCOMPLISHMENT OF THOSE CHARITABLE OR EDUCATIONAL**  
17 **PURPOSES;**

18 **(II) MAY NOT HAVE AS A SIGNIFICANT PURPOSE THE**  
19 **PRODUCTION OF INCOME OR THE APPRECIATION OF PROPERTY; AND**

20 **(III) MAY NOT HAVE AS A PURPOSE THE ACCOMPLISHMENT**  
21 **OF ONE OR MORE POLITICAL OR LEGISLATIVE PURPOSES WITHIN THE MEANING**  
22 **OF § 170(C)(2)(D) OF THE INTERNAL REVENUE CODE.**

23 **(2) FOR PURPOSES OF PARAGRAPH (1)(II) OF THIS SUBSECTION,**  
24 **THE FACT THAT A LOW-PROFIT LIMITED LIABILITY COMPANY PRODUCES**  
25 **SIGNIFICANT INCOME OR CAPITAL APPRECIATION SHALL NOT, IN THE ABSENCE**  
26 **OF OTHER FACTORS, BE CONCLUSIVE EVIDENCE OF A SIGNIFICANT PURPOSE**  
27 **INVOLVING THE PRODUCTION OF INCOME OR THE APPRECIATION OF**  
28 **PROPERTY.**

29 **(C) (1) IF A LOW-PROFIT LIMITED LIABILITY COMPANY THAT MET**  
30 **THE REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION AT ITS FORMATION**  
31 **AT ANY TIME CEASES TO SATISFY ANY OF THE REQUIREMENTS OF SUBSECTION**  
32 **(B) OF THIS SECTION, IT SHALL IMMEDIATELY CEASE TO BE A LOW-PROFIT**  
33 **LIMITED LIABILITY COMPANY BUT BY CONTINUING TO MEET ALL THE OTHER**  
34 **REQUIREMENTS OF THIS TITLE WILL CONTINUE TO EXIST AS A LIMITED**  
35 **LIABILITY COMPANY.**

1           **(2) A LOW-PROFIT LIMITED LIABILITY COMPANY THAT CEASES**  
 2 **TO BE A LOW-PROFIT LIMITED LIABILITY COMPANY BUT CONTINUES TO EXIST**  
 3 **AS A LIMITED LIABILITY COMPANY SHALL CHANGE ITS NAME TO CONFORM WITH**  
 4 **§ 1-502(B) OF THIS ARTICLE.**

5 4A-204.

6           (a) The articles of organization shall set forth:

7                   (1) The name of the limited liability company;

8                   (2) The purpose for which the limited liability company is formed;

9                   (3) The address of its principal office in this State and the name and  
 10 address of its resident agent; [and]

11           **(4) WHETHER THE LIMITED LIABILITY COMPANY IS A**  
 12 **LOW-PROFIT LIMITED LIABILITY COMPANY; AND**

13           **[(4)] (5)** Any other provision, not inconsistent with law, which the  
 14 members elect to set out in the articles, including, but not limited to, a statement that  
 15 the authority of members to act for the limited liability company solely by virtue of  
 16 their being members is limited.

17           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
 18 October 1, 2010.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.